

# *The State of the Sioux Falls & South Dakota economies*

June 15, 2018

Ron Wirtz  
Regional Outreach Director  
Federal Reserve Bank of Minneapolis



FEDERAL RESERVE BANK *of* MINNEAPOLIS



# Disclaimer

The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.

**[minneapolisfed.org](https://minneapolisfed.org)**



# Today's talk: Two sections

- **Light primer on Federal Reserve System**
- **A look at economic conditions in Sioux Falls and South Dakota**



## Part 1: The Federal Reserve System

- Central bank of the U.S.
- Established by act of Congress in 1913

### *What exactly is a central bank?*

- Provides financial & banking services for country's government and commercial banking system
  - *BUT WHY?!? What's the goal or rationale?*





# Federal Reserve goal #1: Stability and uniformity of money supply

No central bank from 1837 to 1912  
= currency explosion





# Federal Reserve goal #2: Safety and soundness of financial system

**No central bank = little ability to react to crises**

## ➤ **Panic of 1873**

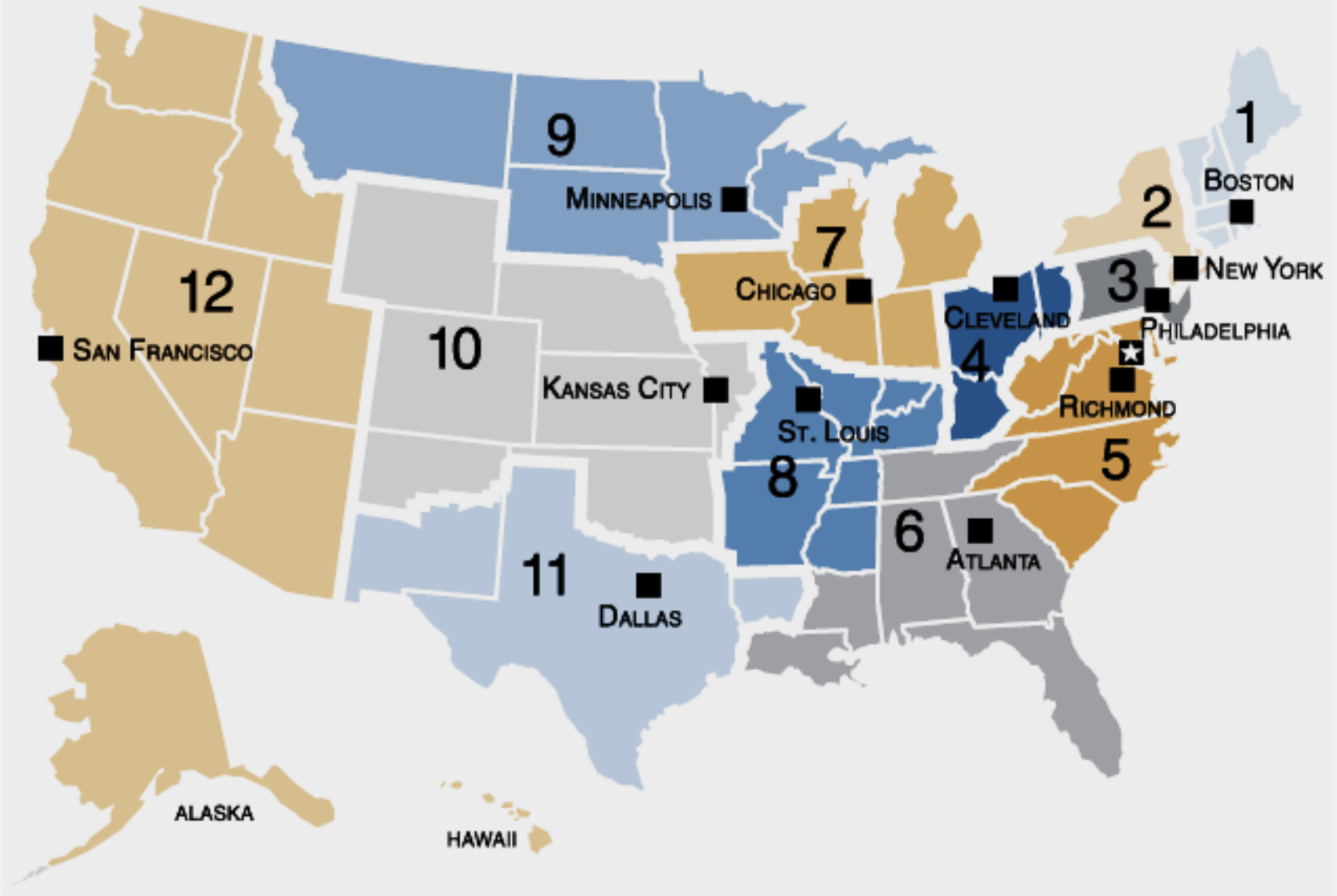
- **Six-year recession, high inflation and bank failures; NYSE closed for 10 days; 18,000 businesses failed, incl. 100+ railroads**

## ➤ **1907 banking crisis**

- **J.P. Morgan – the individual – saved financial system from full collapse**



# The Federal Reserve Act of 1913 = distributed power





# Main responsibilities of the Fed

## ➤ Supervise and regulate banks

- Mainly bank holding companies (who own lots of banks)
  - JPMorgan, Wells Fargo, Goldman Sachs, Citigroup

## ➤ Offer financial services

- Manage ('clear') financial payments between parties
- "Lender of last resort"

## ➤ Set monetary policy

- Most familiar tool is interest rates (via FOMC)
- Monetary policy guided by "dual mandate"
  - 1) stable prices
  - 2) maximum employment





# Federal Reserve Structure



## *Federal Reserve System*



**12 “District” banks carry out operations of Federal Reserve**

**Monetary policy set here, with big information needs**



Neel Kashkari  
Minneapolis



## Part 2: “The state of the Sioux Falls and South Dakota economy”

*Implied question:*

***Are these economies doing well,  
or poorly?***

**Answer: “Yes”**



# Lies, damned lies & statistics



*“Now, keep in mind that these numbers are only as accurate as the fictitious data, ludicrous assumptions and wishful thinking they're based upon.”*



***My goal:*** Help inform *your* opinion of these economies, via:

- a variety of performance metrics
- tabulated over various timeframes
- using different/peer comparisons

***On to the charts ... almost***



## **State comparison**

- Minnesota
- Iowa
- South Dakota
- US average benchmark

## **Metro comparisons**

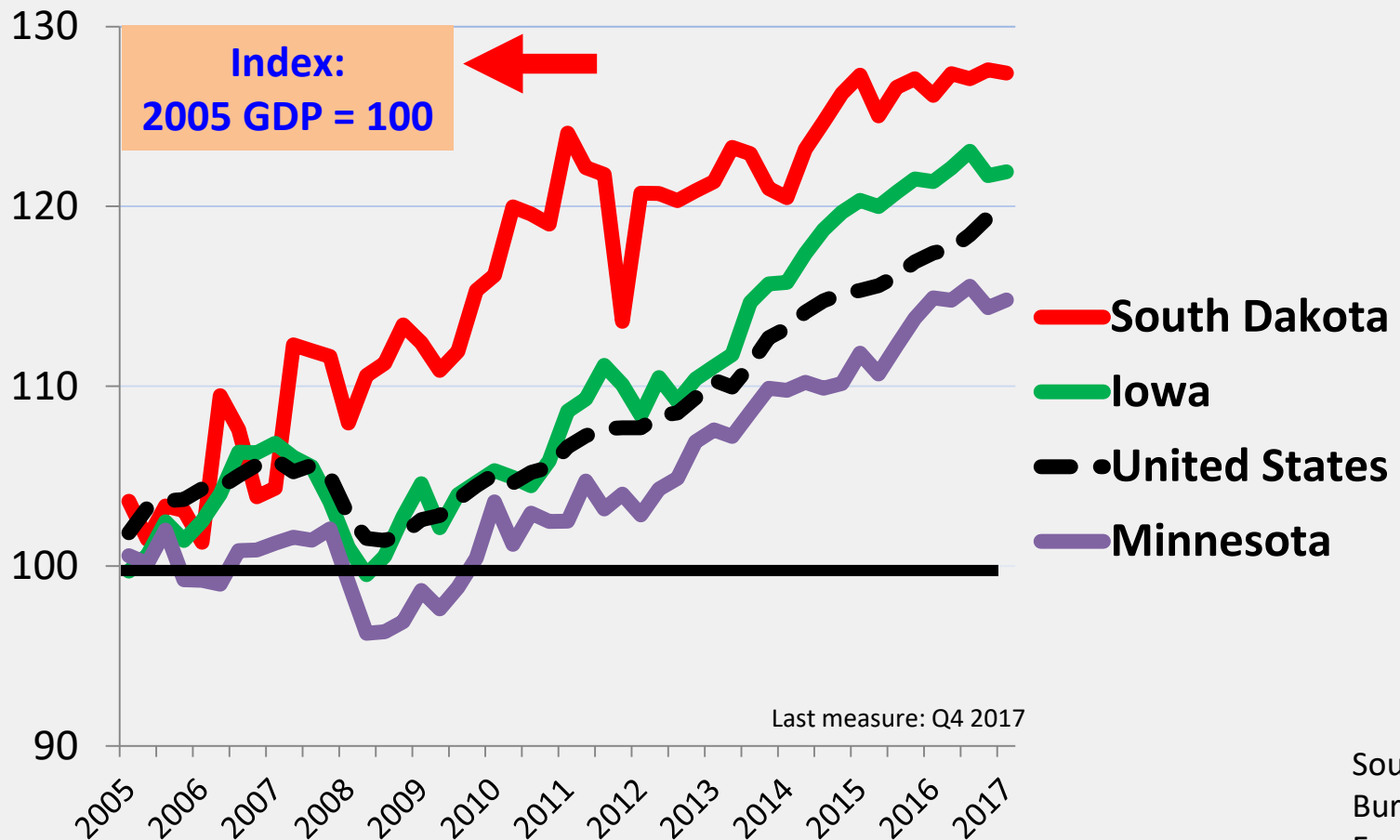
- Minneapolis-St. Paul
- Mankato, MN
- Sioux Falls, SD
- Sioux City, IA-NE-SD



## Gross domestic product

# Since 2005, SD output best-in-class

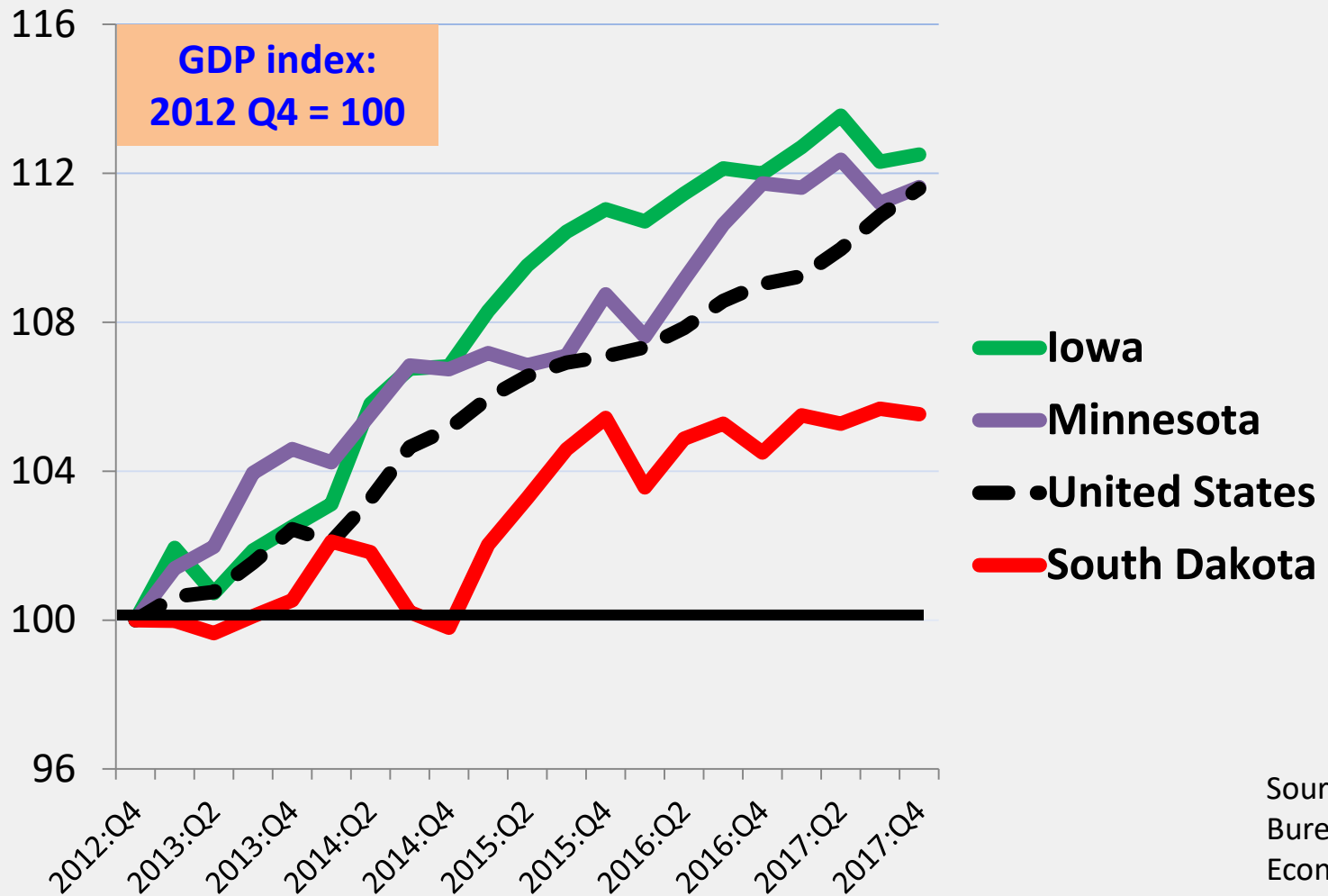
Quarterly annualized and chained GDP, 2005 1<sup>st</sup>Q through 3<sup>rd</sup>Q 2017







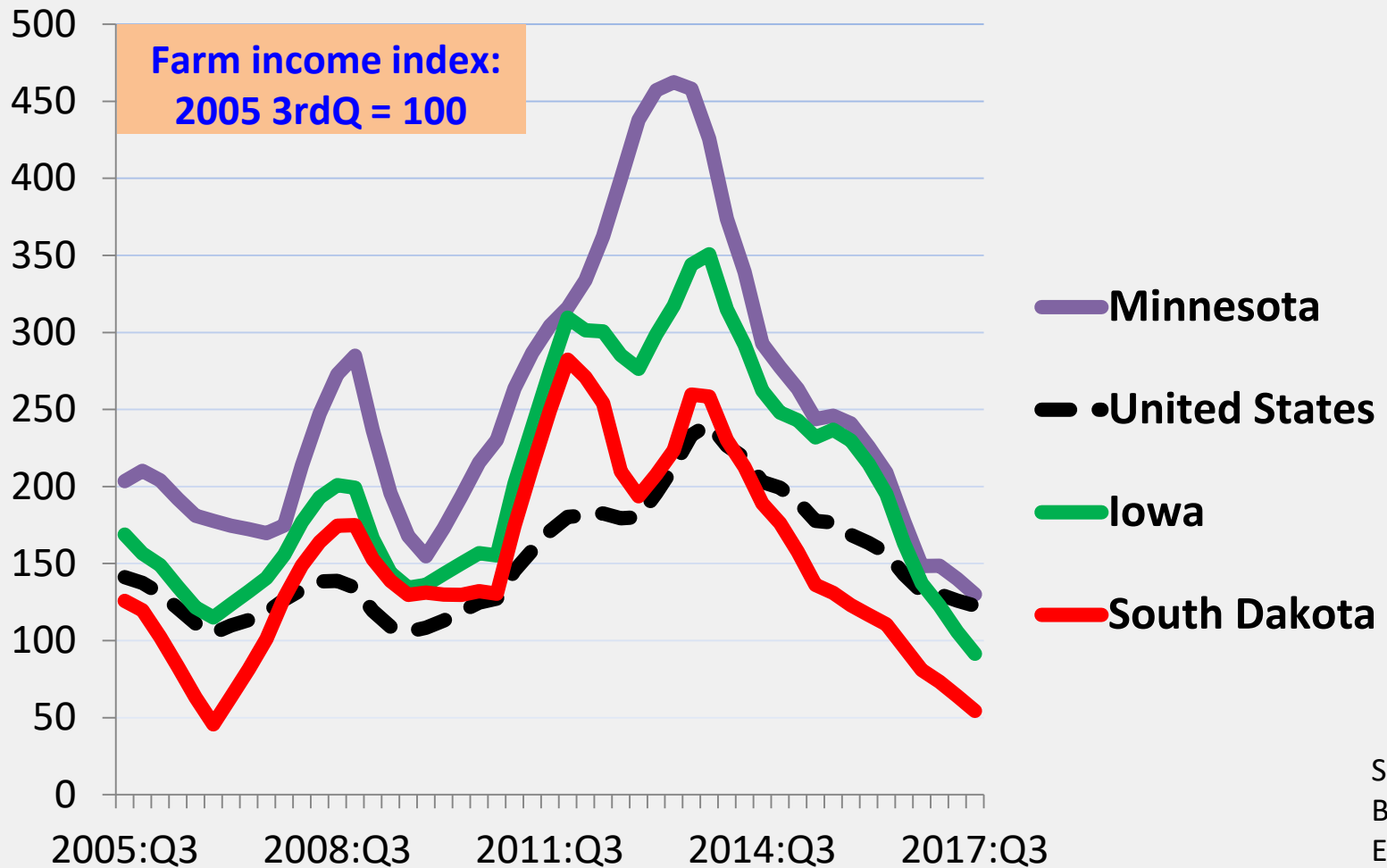
# But over last five years, South Dakota has slowed to worst in class





# Farm income remains dour

Rolling four-quarter average

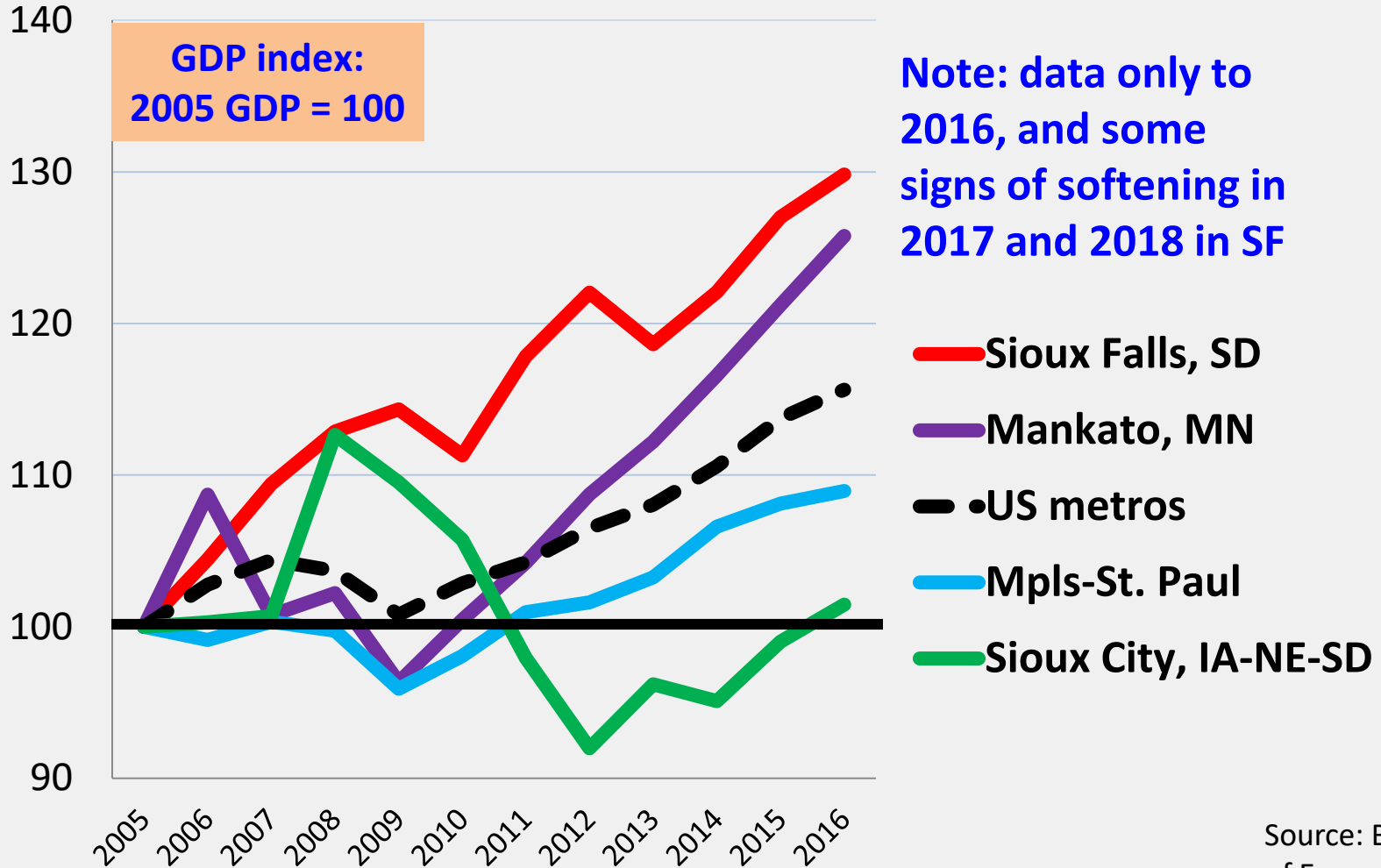


Source:  
Bureau of  
Economic  
Analysis



# Metros: Real GDP index

## Sioux Falls leading pack

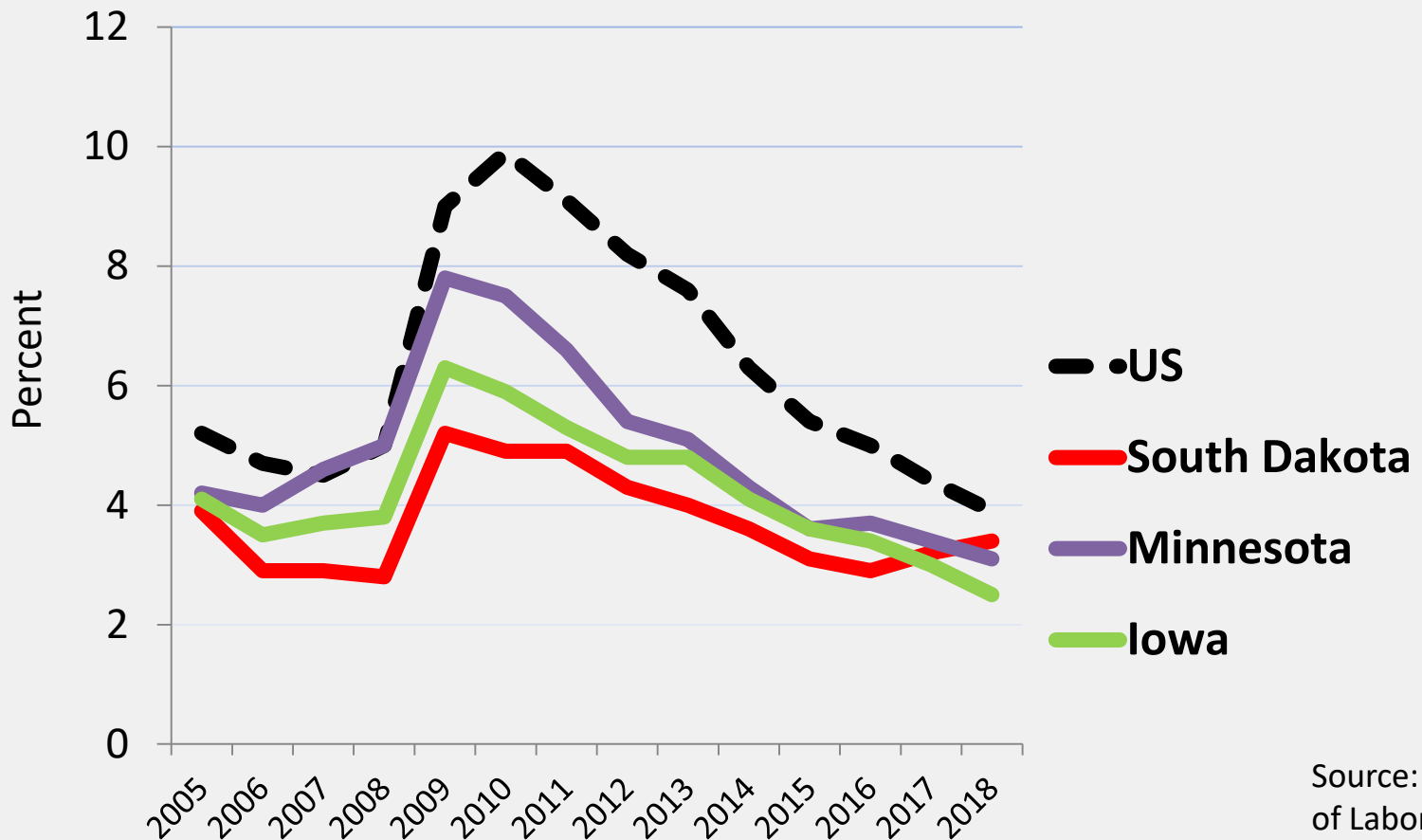




# Unemployment

## Very low in South Dakota, but rising

April of each year, seasonally unadjusted

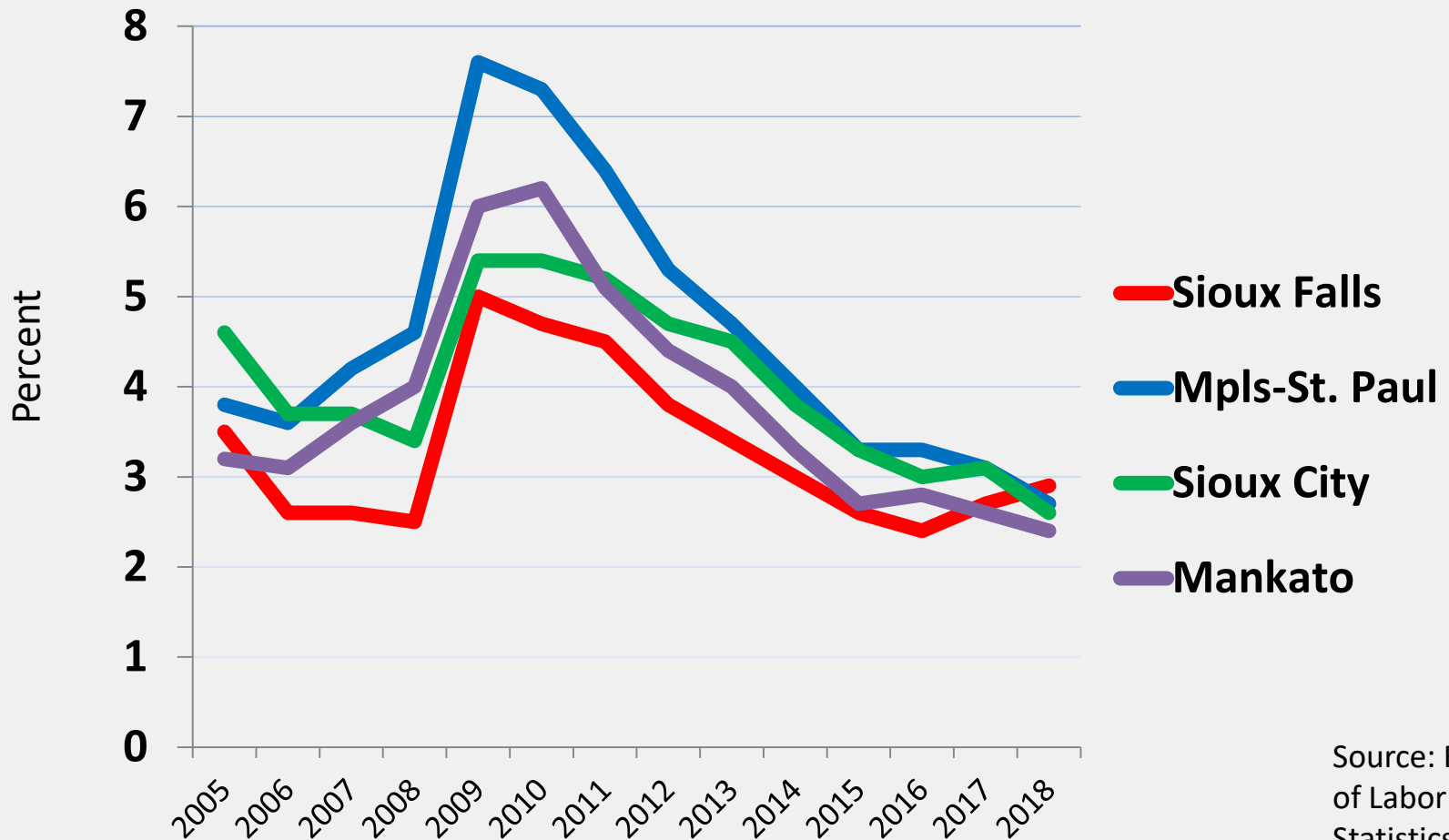




## Metro unemployment

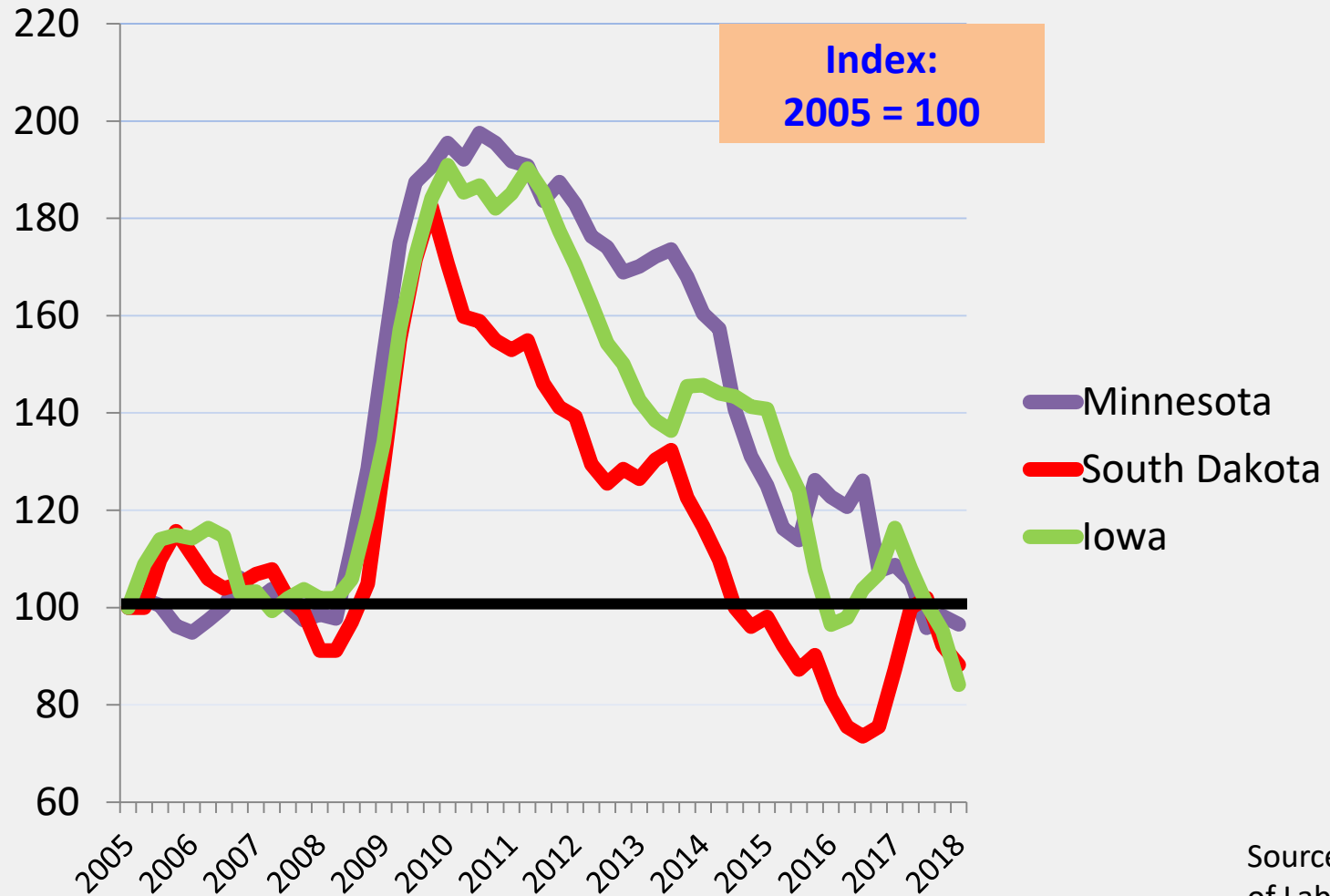
# Low in Sioux Falls, but also rising

April of each year, seasonally unadjusted





# Involuntary part-time: Also drastically improved, but with recent volatility

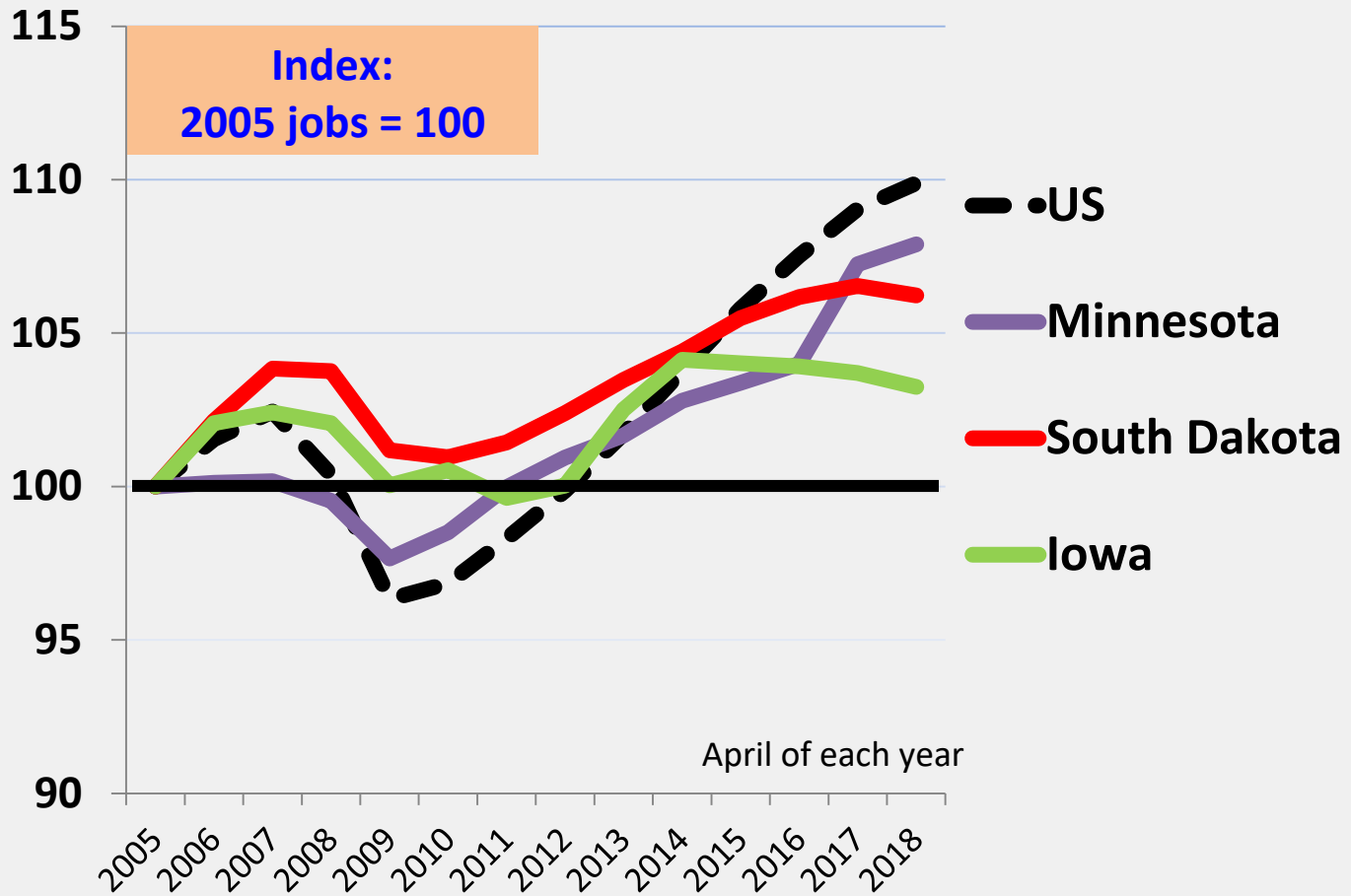






# Total employment

## South Dakota job growth modest, slowing

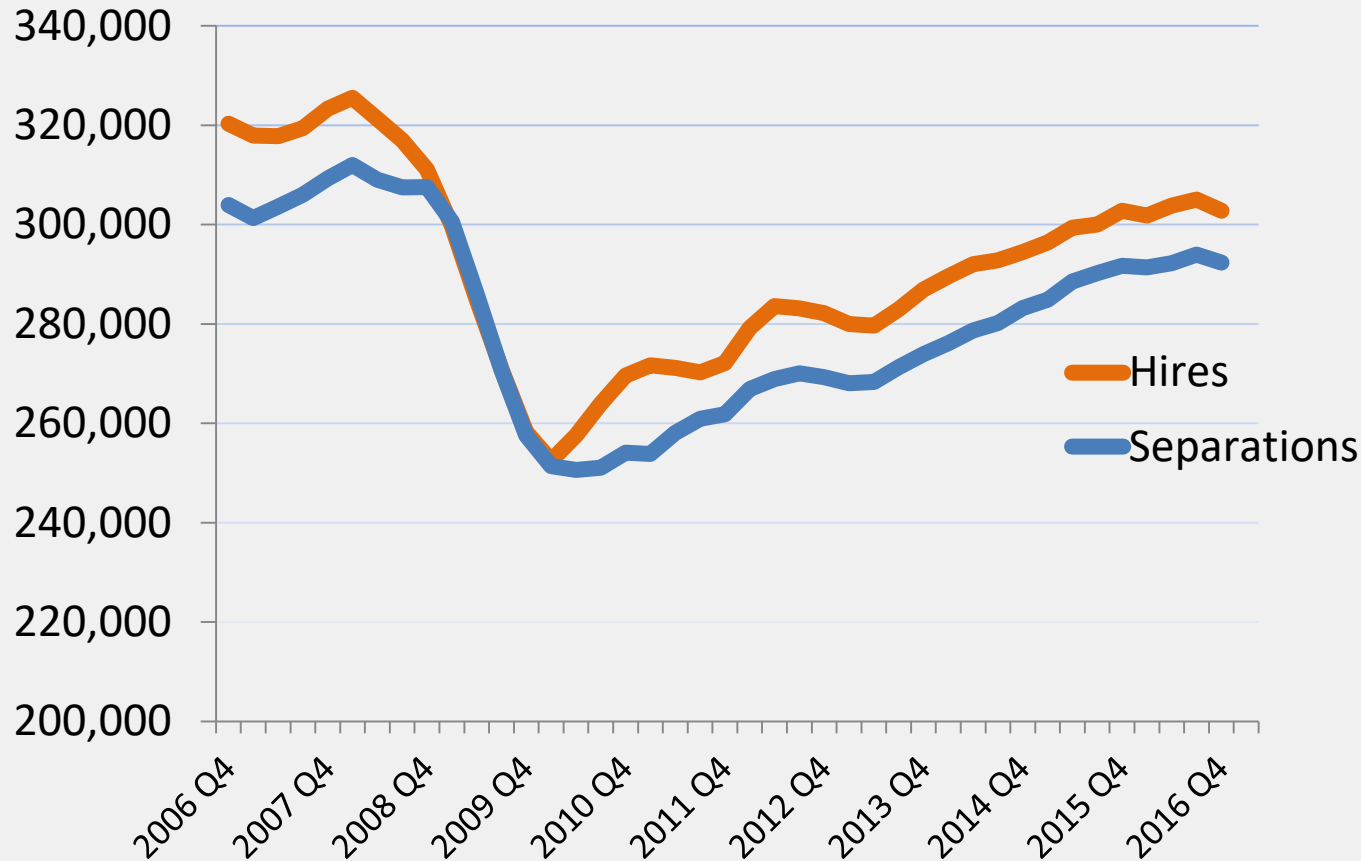




## South Dakota hires & separations

### Consistent margin of hiring during recovery, but slowing also evident

Rolling 4-quarter annual counts

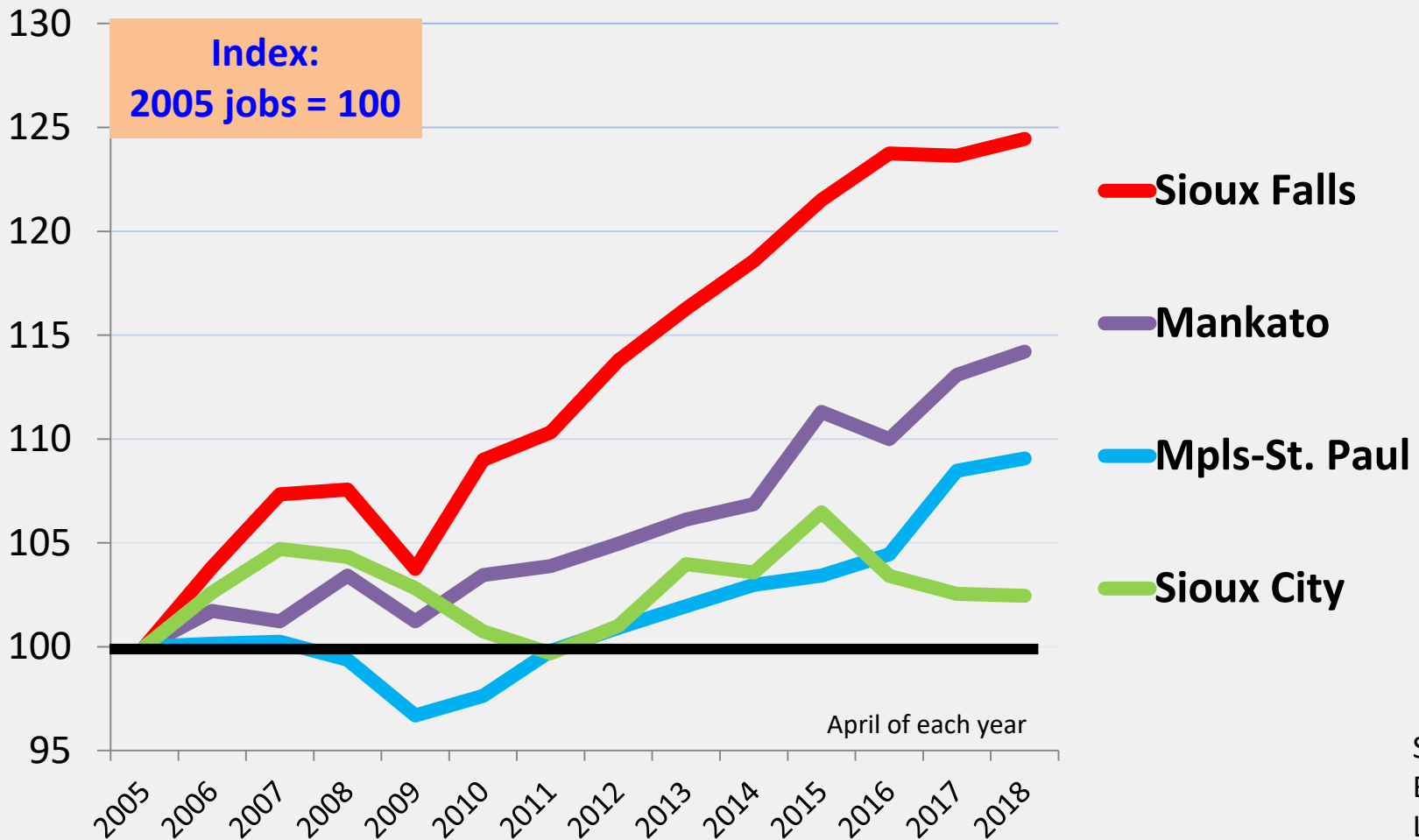


Source: QWI Explorer, U.S. Census



## Metro employment index

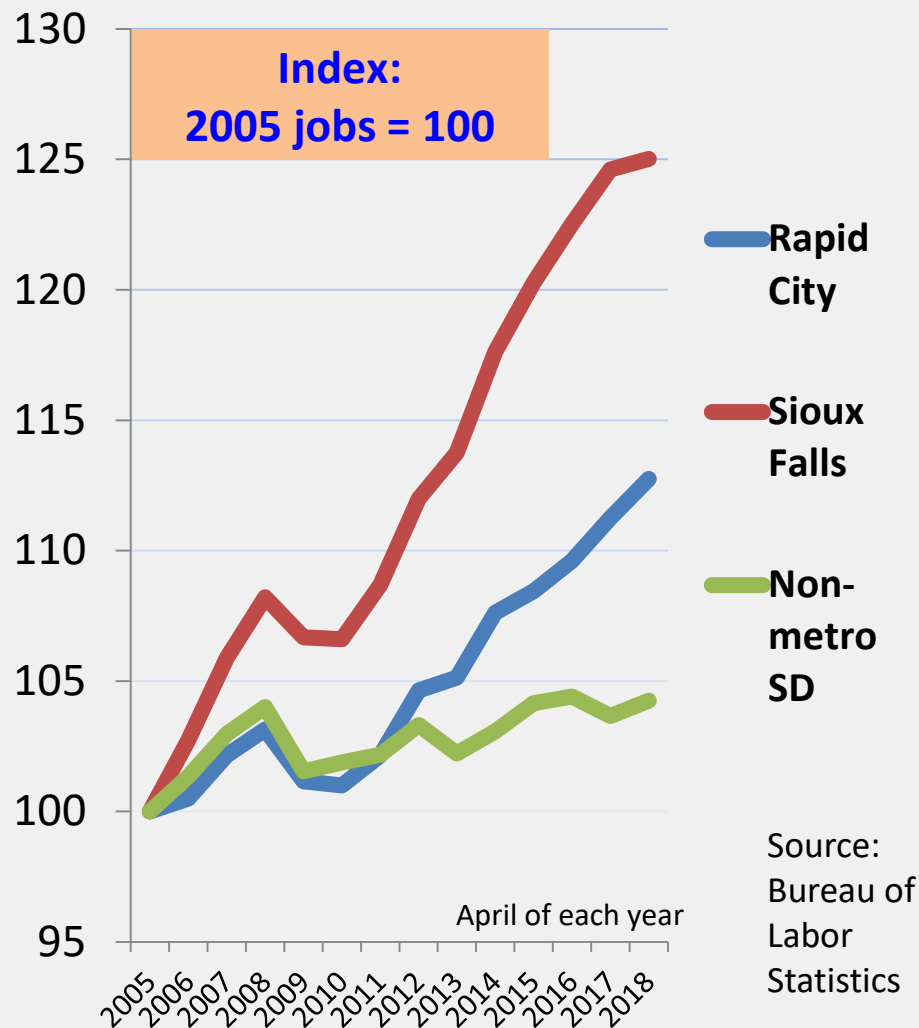
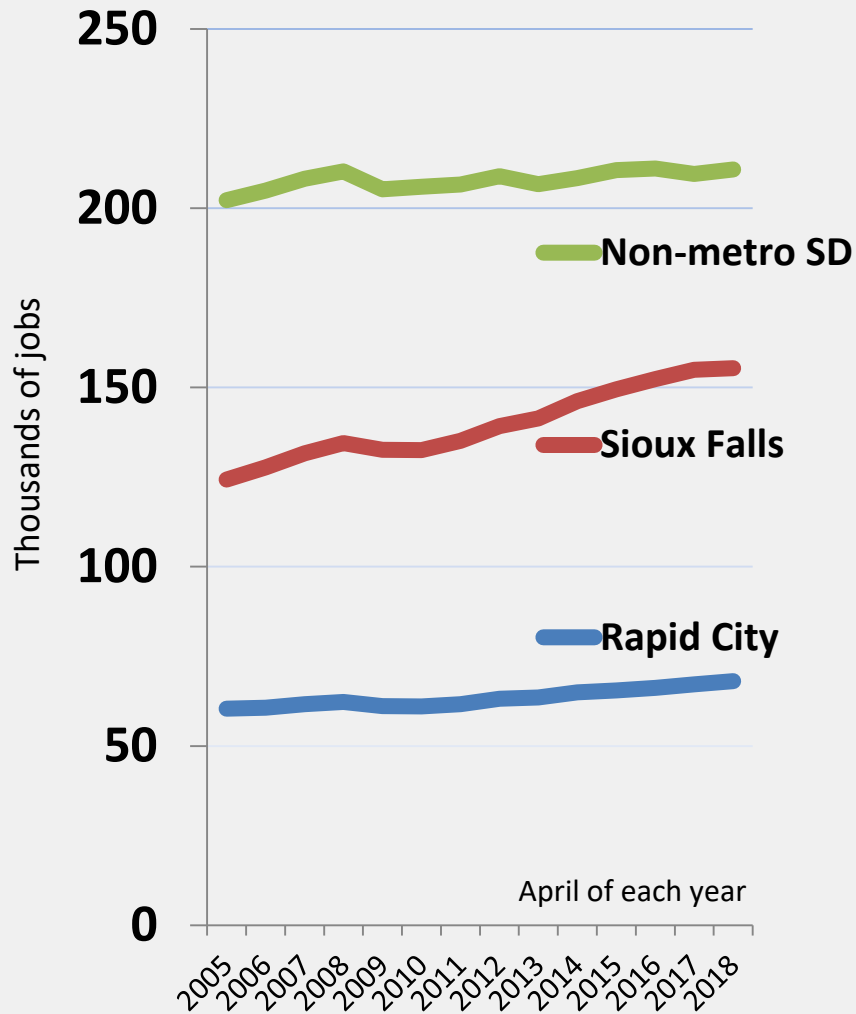
# Sioux Falls way ahead, but flattening



Source:  
Bureau of  
Labor  
Statistics



# Sioux Falls dominating job growth in the state



Source:  
Bureau of  
Labor  
Statistics



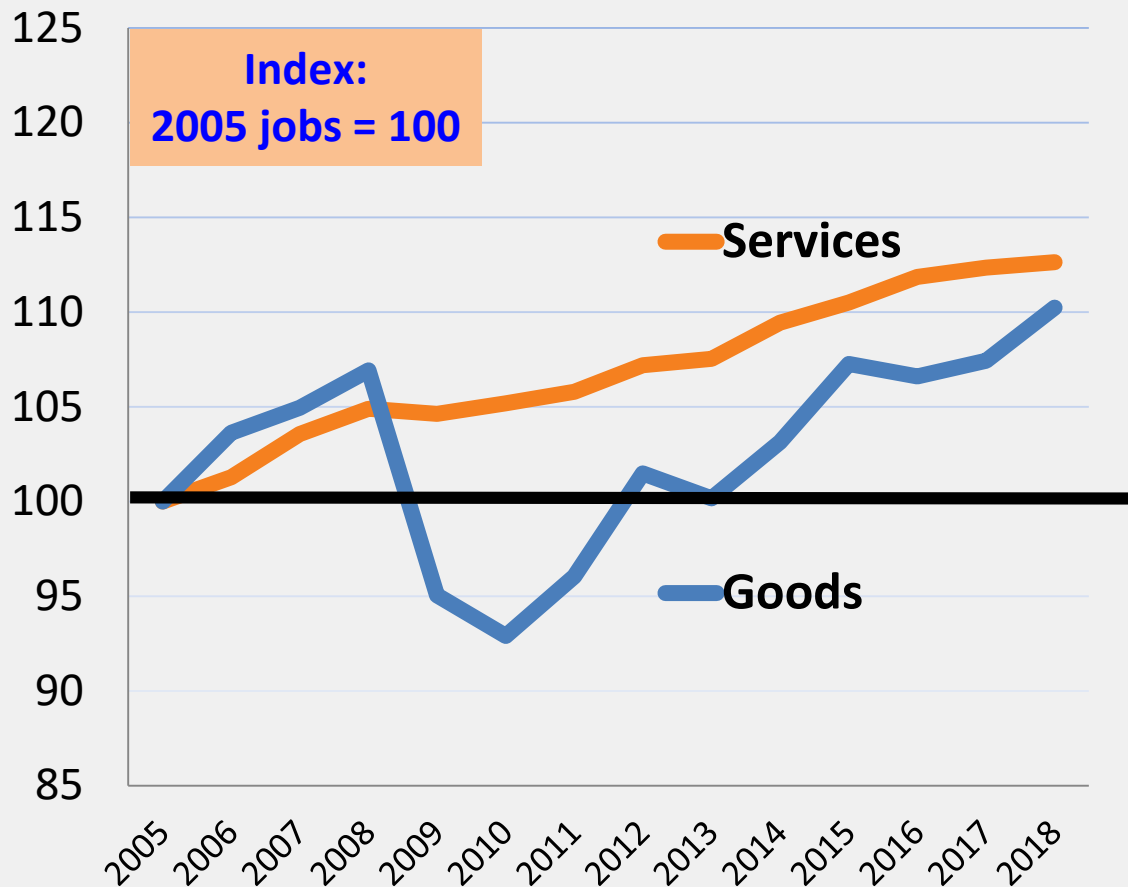
# Job growth: Goods vs services

- **Goods producing**
  - Natural resources & mining
  - Construction
  - Manufacturing
- **Service providing**
  - Retail & wholesale trade
  - Utilities
  - Information
  - Financial activities
  - Professional & business services
  - Health care & education
  - Leisure & hospitality



# South Dakota: “Goods” jobs seeing big rebound; services see slow, steady uptick

Private sector jobs only



“Goods” jobs  
= 15 percent  
in SD

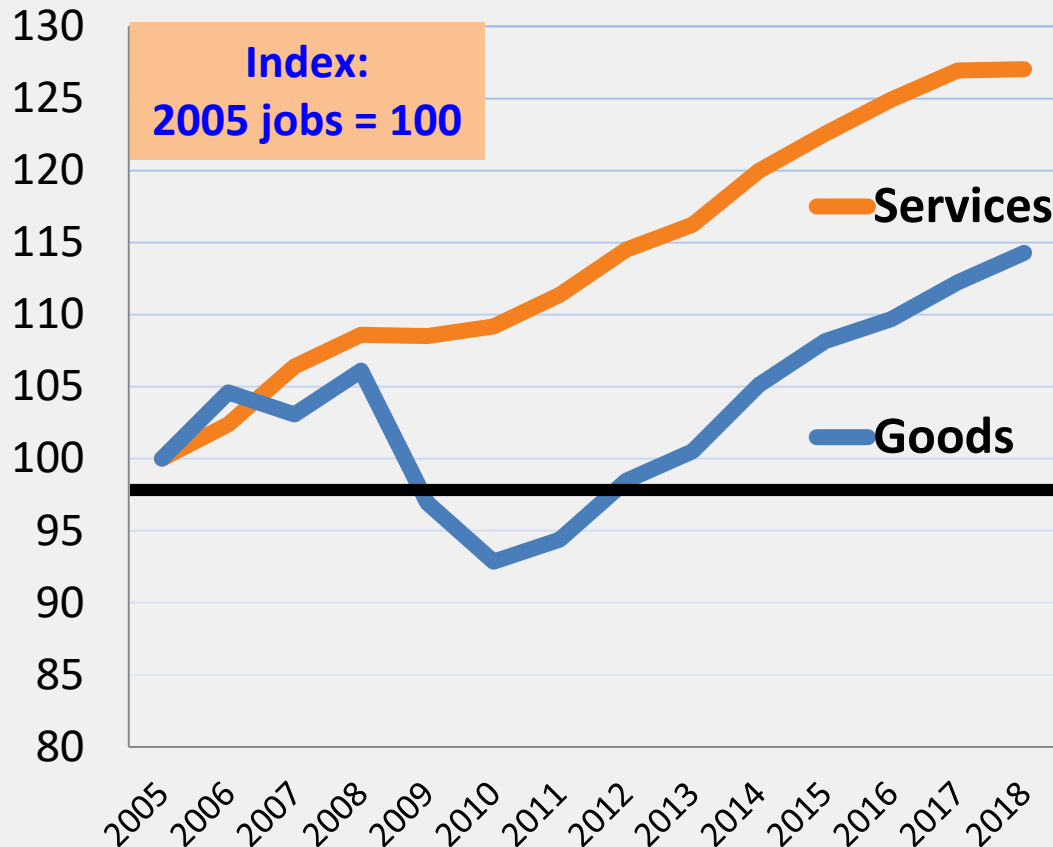




# Sioux Falls

## Similar growth pattern in recovery

Private sector jobs only



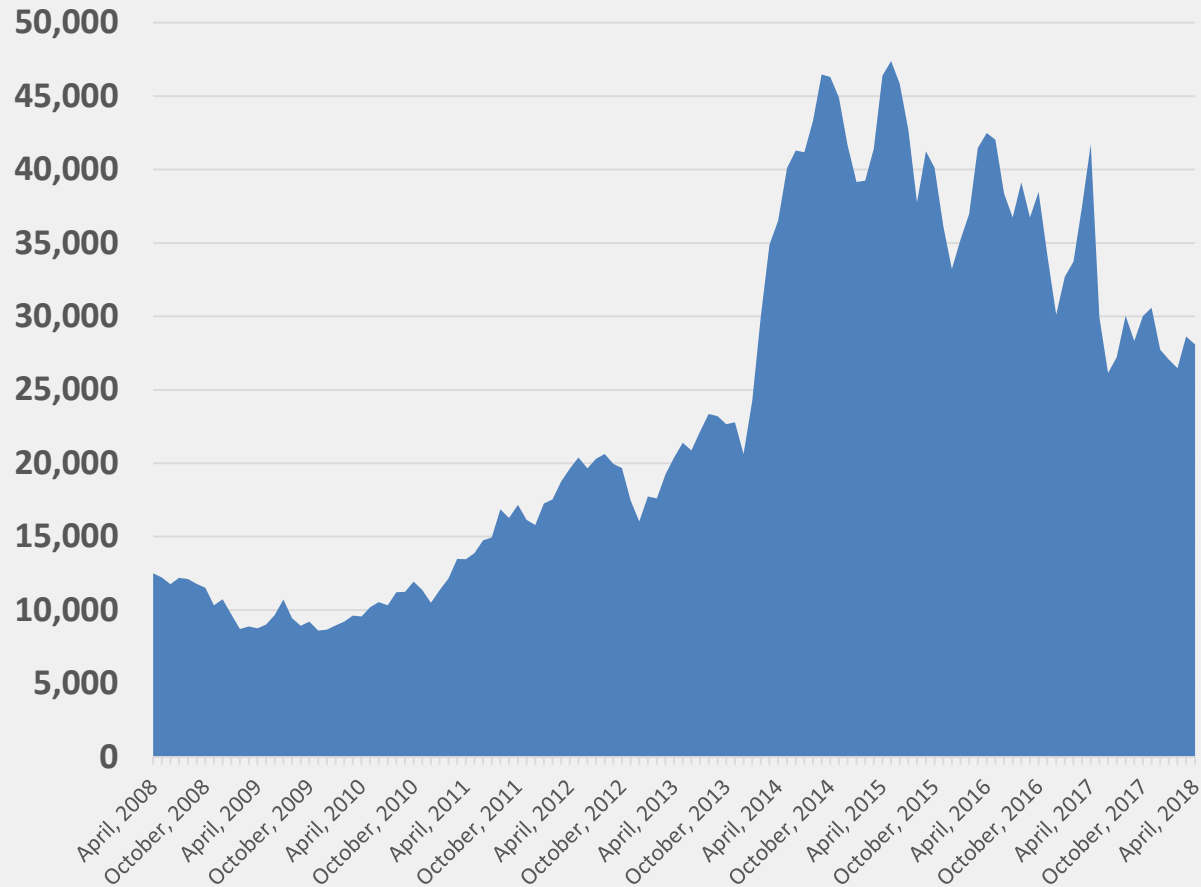
“Goods” jobs  
= 15 percent  
in Sioux Falls



# Hiring demand

## Strong job demand, but trending lower

Advertised job openings in South Dakota



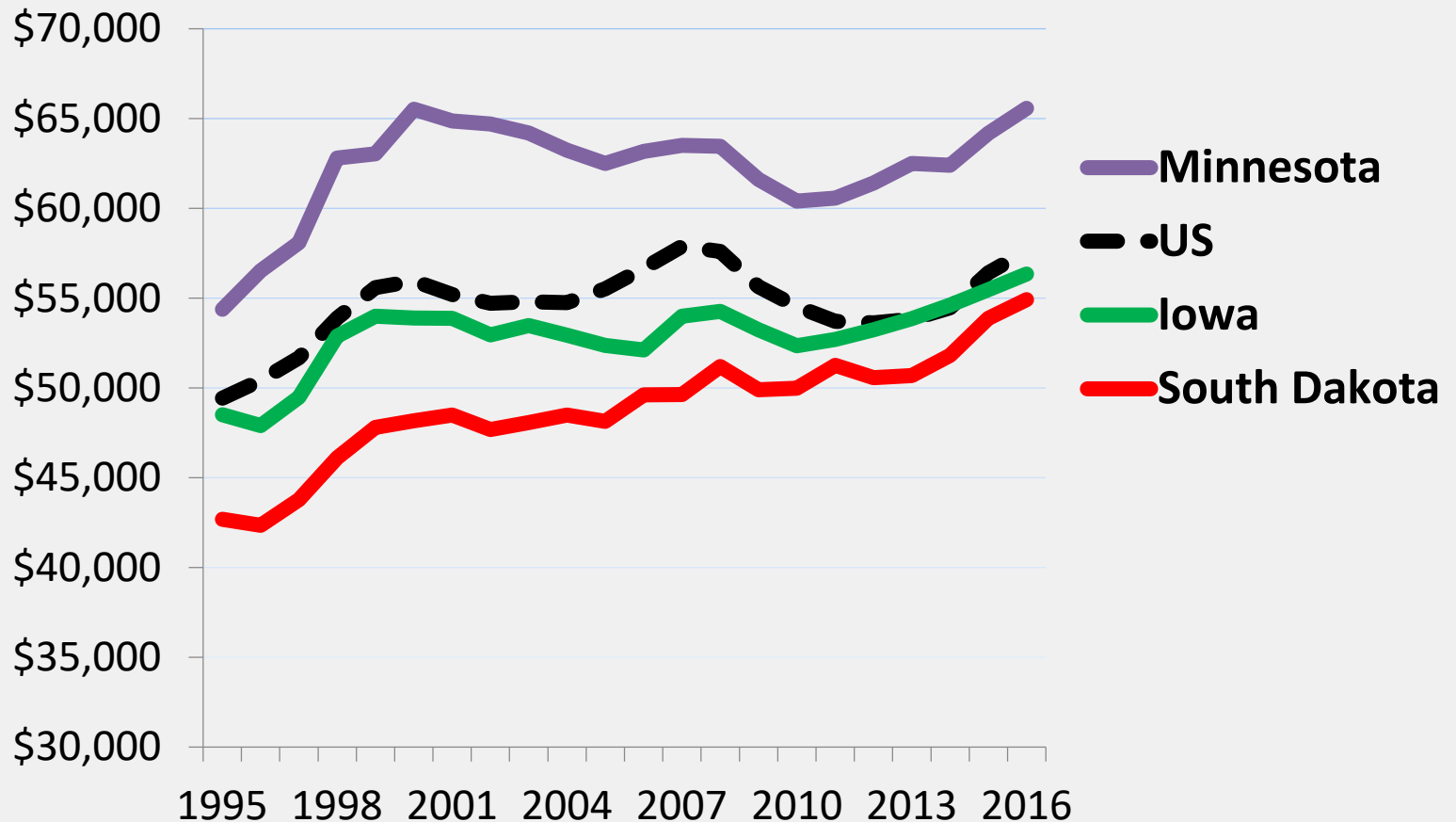
Source: South Dakota Labor Market office



## Median wages

# South Dakota lower, but gaining

Real (PCE-adjusted) median household wages





## **Quick summary so far:**

- **Strong growth in Sioux Falls is leading to positive state growth, but also covering for slowness elsewhere**
- **Strong statewide hiring demand among employers**
- **Rising wages**

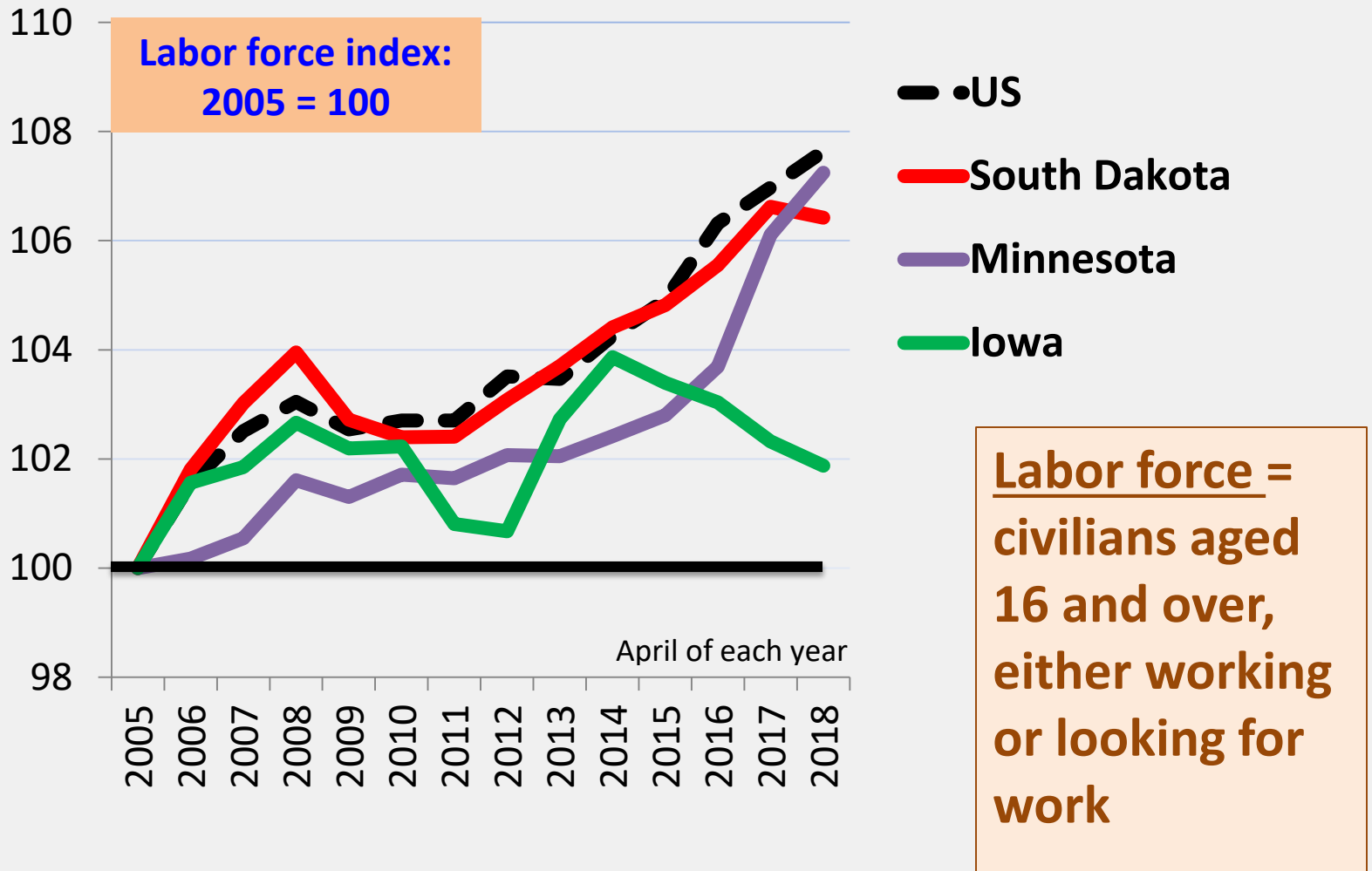


## Summary cont.

- **But:** Recent employment softness for both Sioux Falls and state
- **Why has *long-term* growth been better in Sioux Falls and South Dakota? Why has it hiccuped?**
- **Look for tell-tale growth clues in labor supply trends – *growing labor force means growing economy & employment***



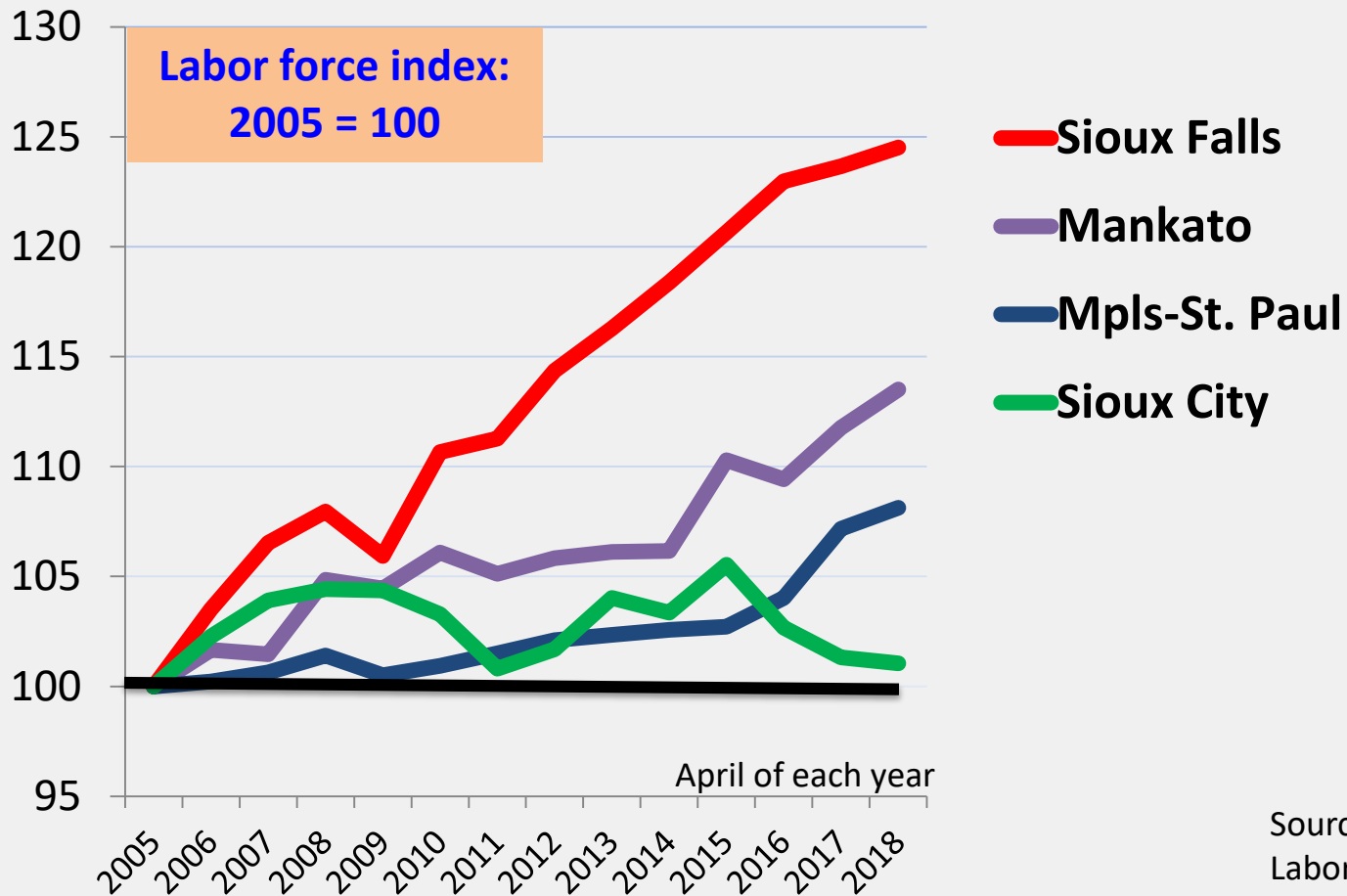
# SD labor force growth keeping up with US, but with recent dip







# Sioux Falls labor force growth fueling state growth, but also slowing



Source: Bureau of Labor Statistics



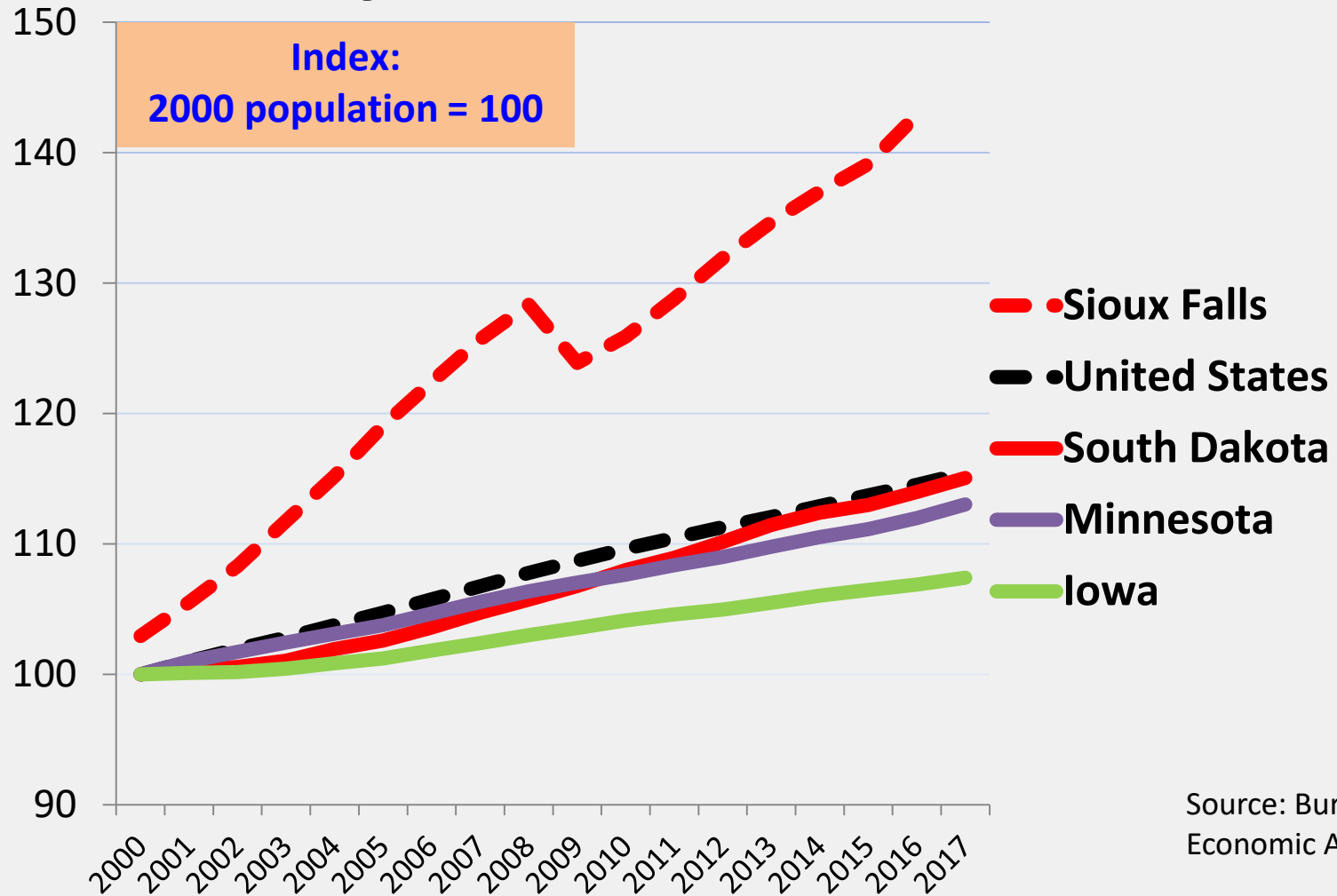
## Factors in labor force growth

- **Population growth**
- **Population demographics (aging)**
- **Labor force participation rate**

**South Dakota is performing better on most of these measures compared with other states, largely due to Sioux Falls**



# SD population growth exceeding nearby states, thx to Sioux Falls

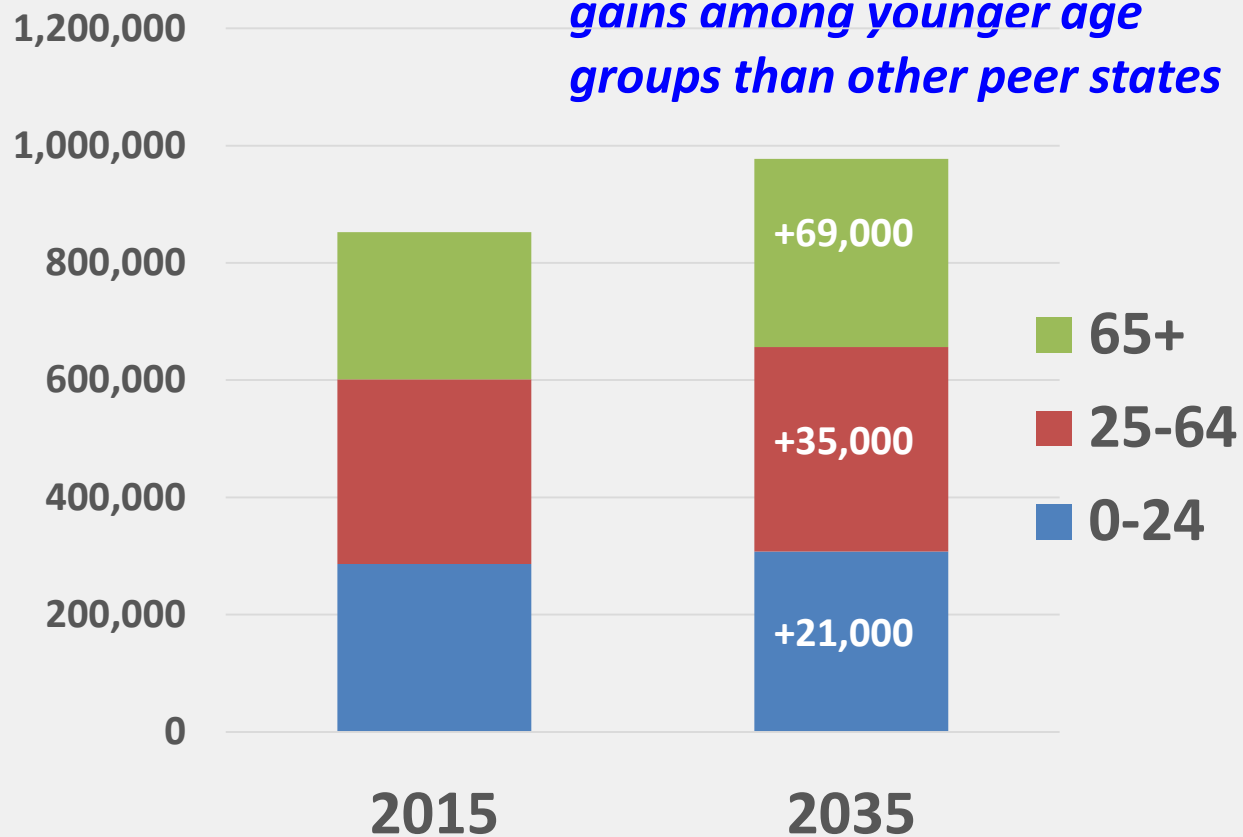


Source: Bureau of Economic Analysis



# Aging population means more labor growth from older workers

*South Dakota seeing larger gains among younger age groups than other peer states*

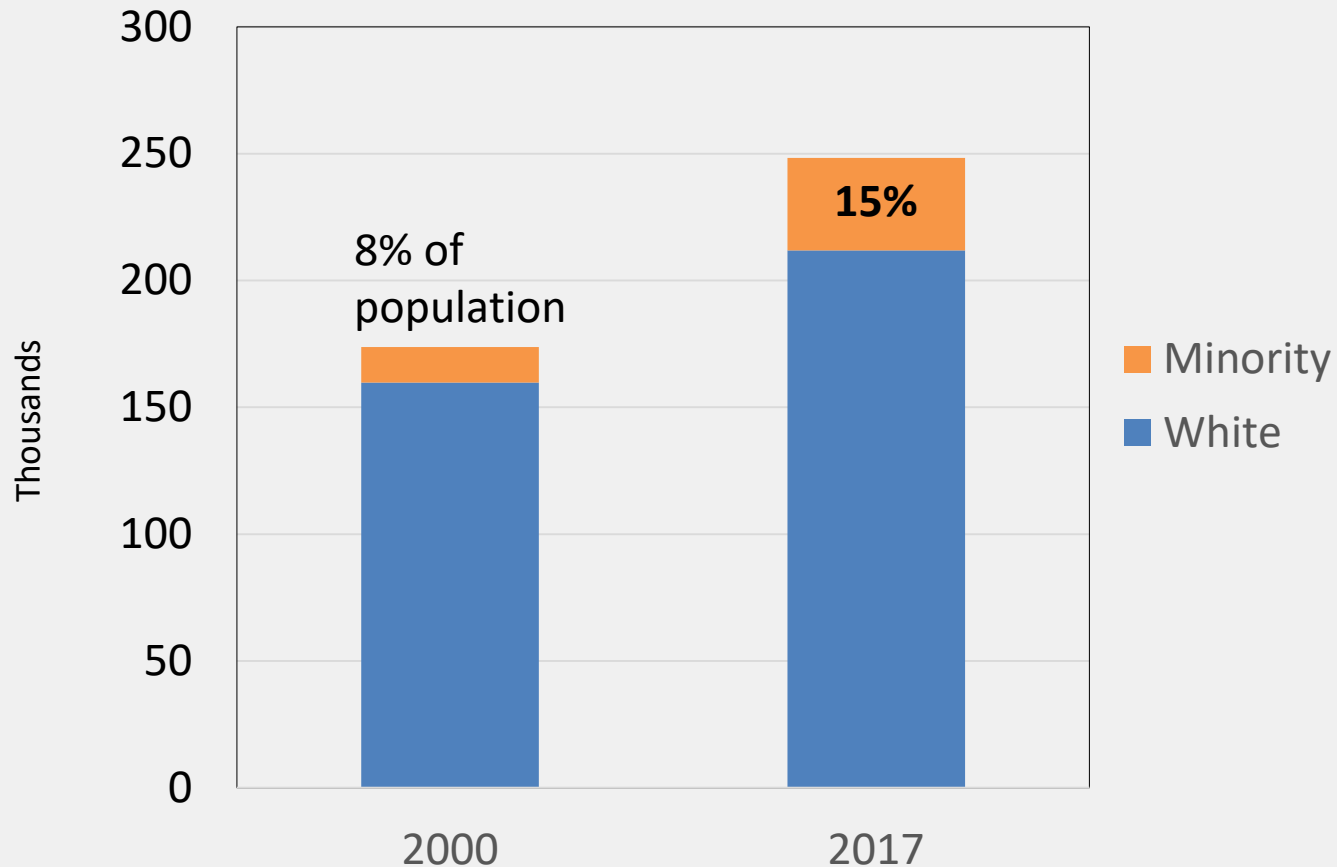


Source: South Dakota State University



# Population growth coming increasingly from minority groups

## Sioux Falls population

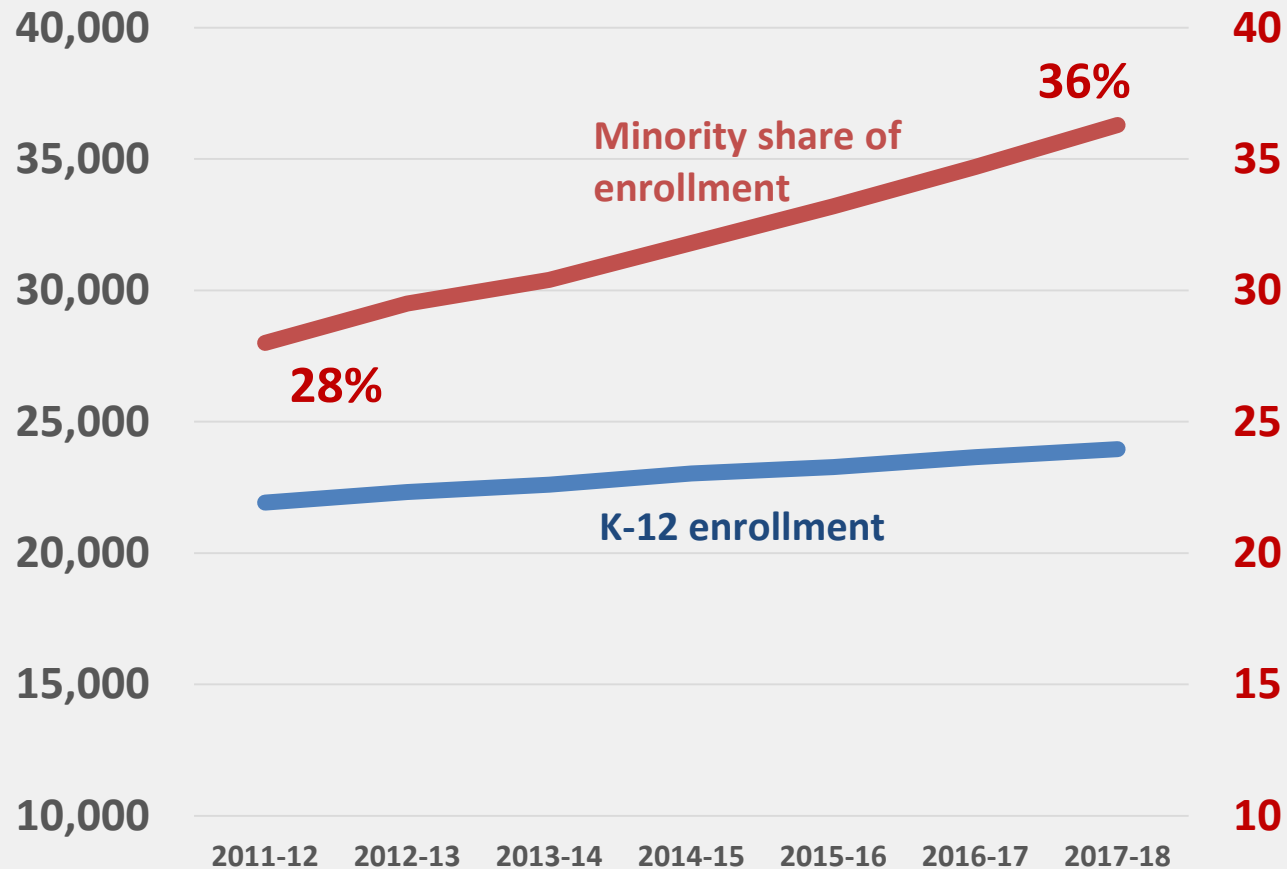


Source: U.S. Census



# Minority populations will increasingly feed future labor force

## Sioux Falls K-12 enrollment



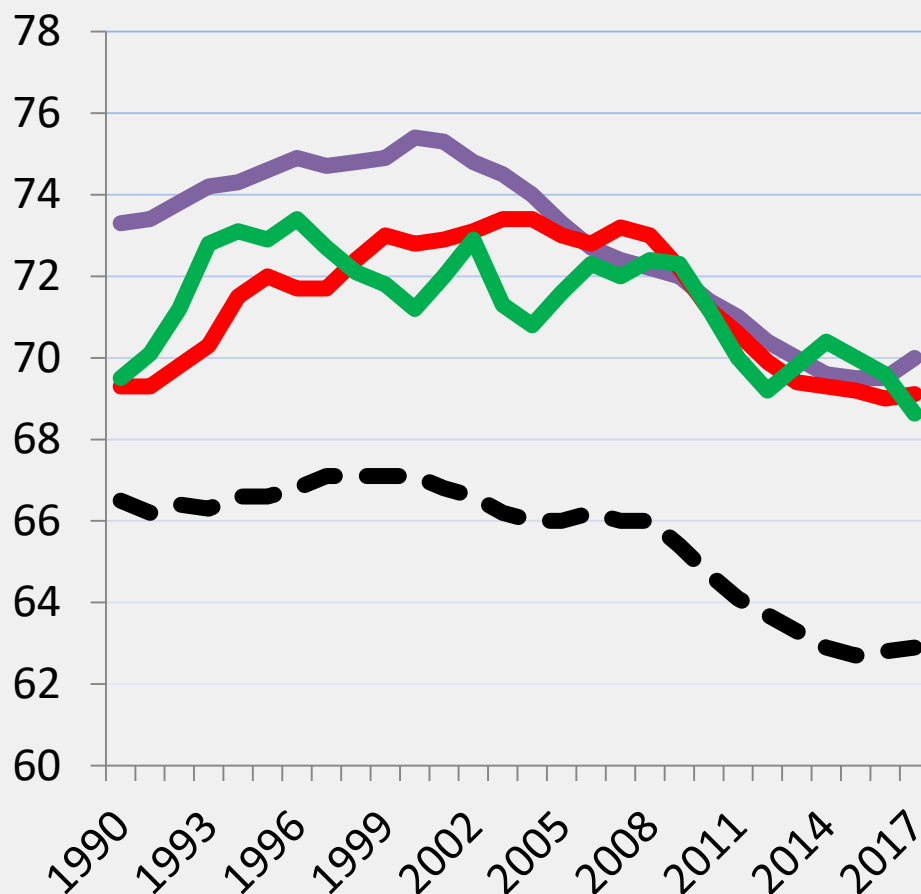
Source: Sioux Falls School District



# Labor force participation rate

## Flattening, finally

Seasonally adjusted annual rate (2017 is estimate)



- Minnesota
- South Dakota
- Iowa
- US

Labor force participation rate  
= 16-64 year olds that are employed or looking for work, as a percent of total working-age population



# Take aways

- **Statewide economy is healthy, thanks to Sioux Falls (& Rapid City, recently)**
- **But seeing some weakness**
  - **Unemployment uptick**
  - **Ag downturn a much bigger deal in rural areas**
- **Sioux Falls economy: You're spoiled 😊**
  - **e.g., closest neighbor, Sioux City, experiencing very different economy**





# Why is Sioux Falls winning?

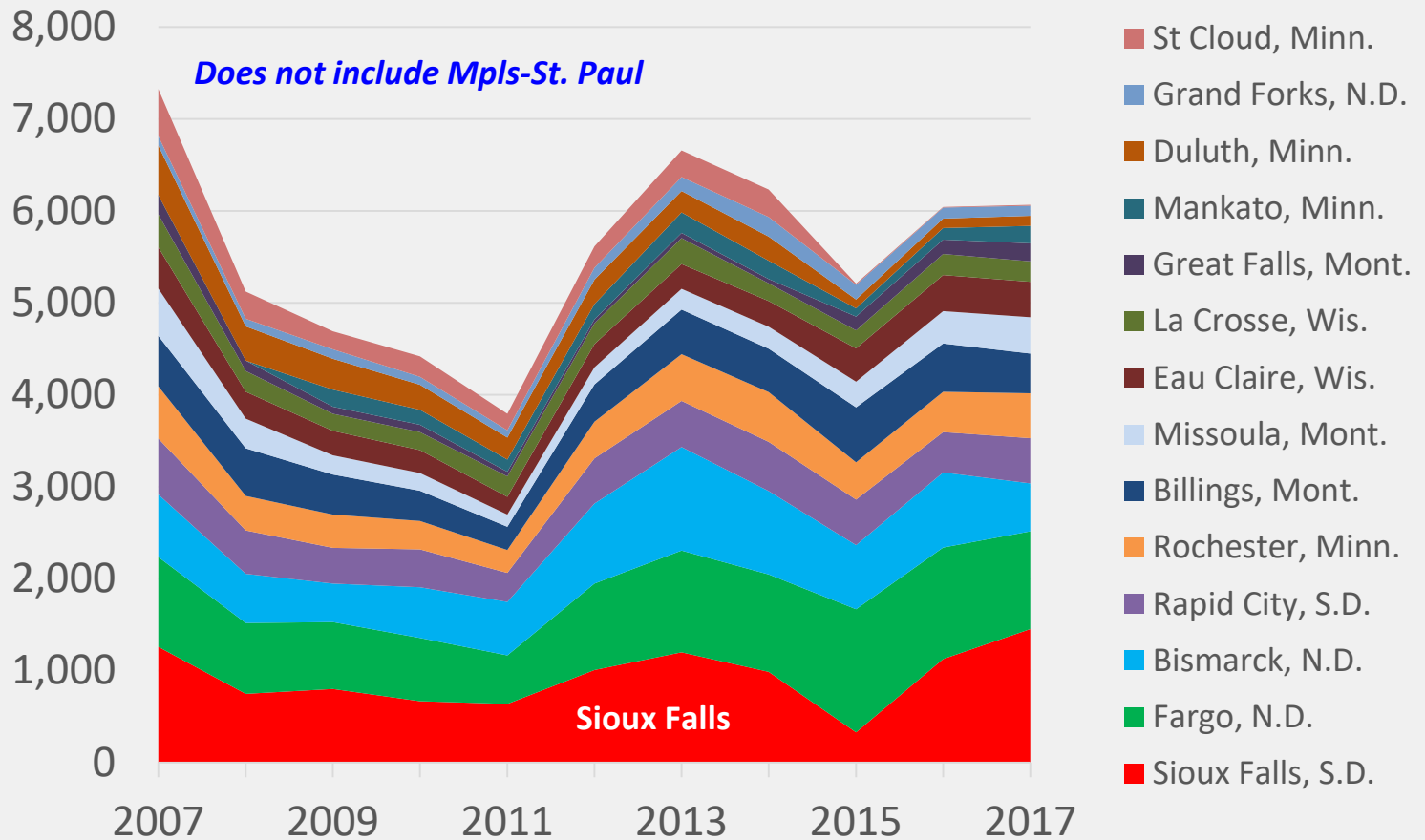
## *Every Ninth District metro*

- low unemployment and
- high job demand relative to workers –  
*everyone is looking for workers*
- So why are some metros seeing population growth, and others not so much?
- *Competitive places have more than just jobs available*



## Housing growth

# Single-family permitting has rebounded, but not over pre-recession levels

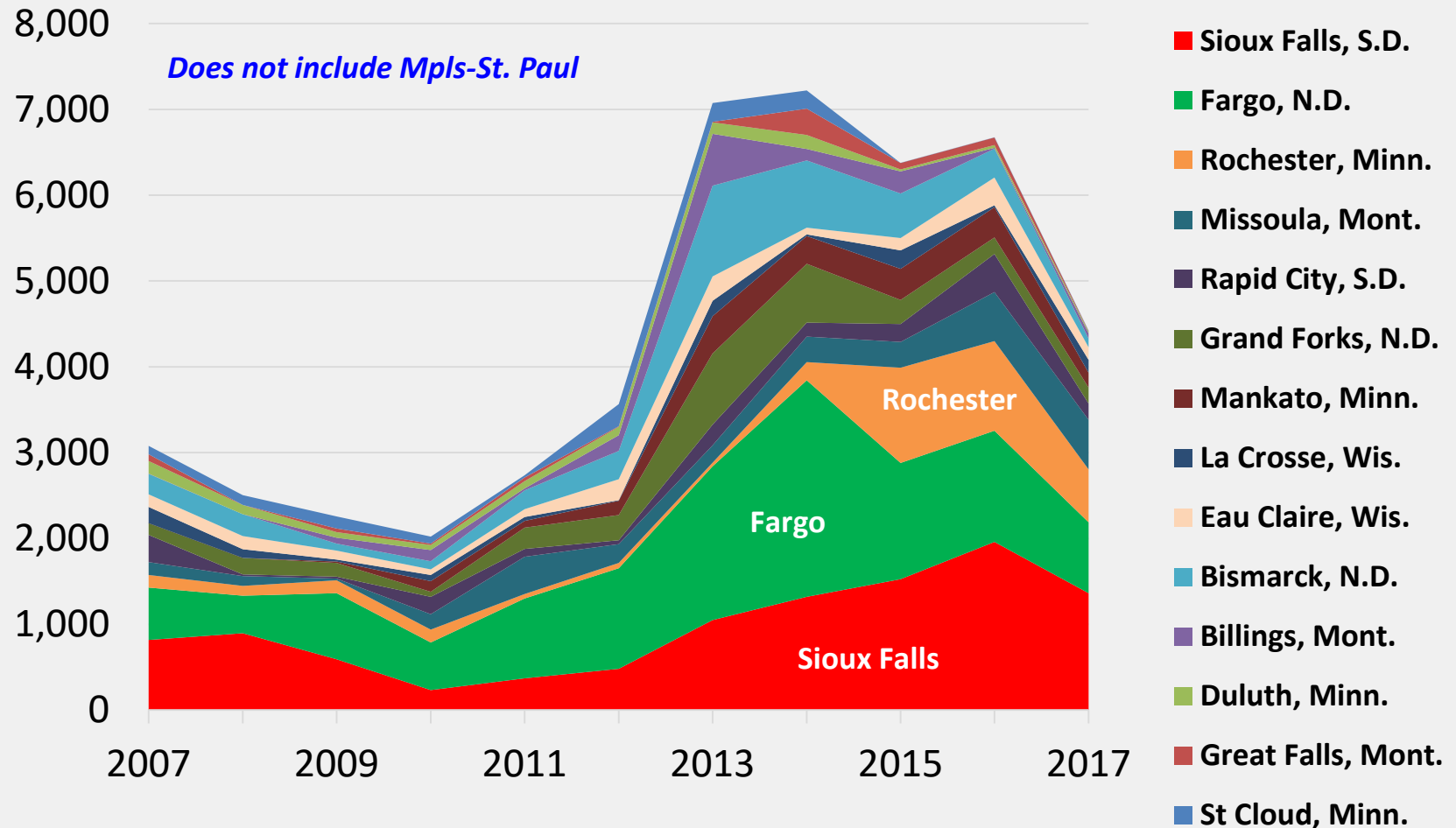


Source: U.S. Census Bureau



## Housing growth: Chicken or egg?

# Fast-growing areas: More multi-family



Source: U.S. Census Bureau



# What can we expect going forward?

## Labor force math: **Short-term**

- **Hiring demand** can change *quickly* (+/-)
- **Labor supply** changes very *slowly*

The only realistic, short-term change to current tight labor is for hiring demand to decrease (aka recession/slowdown)

Sioux Falls faces some risk that population and labor force growth will slow



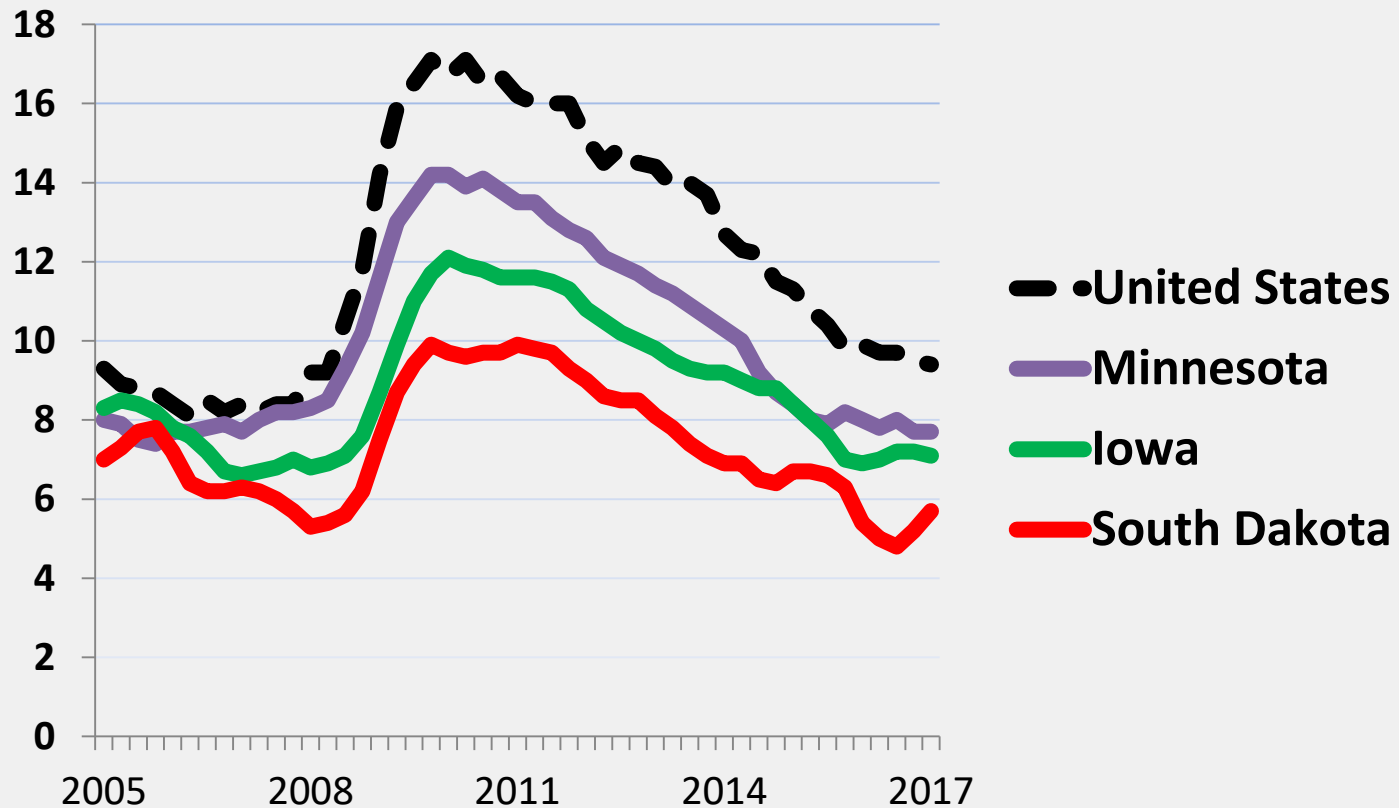
## Labor force math: Long-term options

- Do nothing, and expect slower growth
- Increase productivity above current trend
- Subsidize fertility
- Attract more people from elsewhere
  - Migration/immigration
- Convince more people to work, including (esp?) under-utilized populations, and help them into higher-productivity jobs



## U-6 unemployment rate

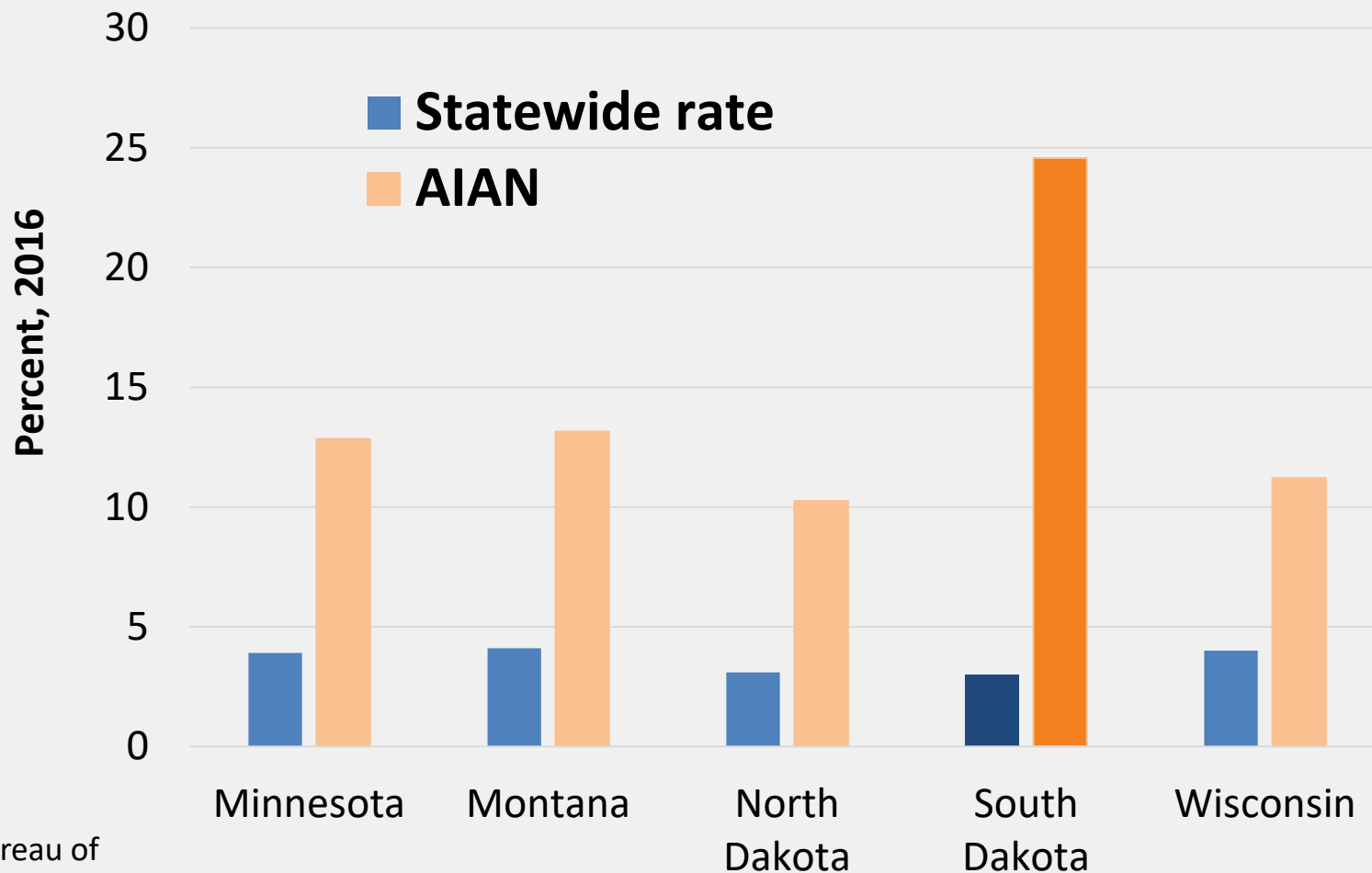
# Total labor 'slack' lowest in South Dakota



**U-6 unemployment rate** = Total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers, percent, 4-quarter moving average, not seasonally adjusted.



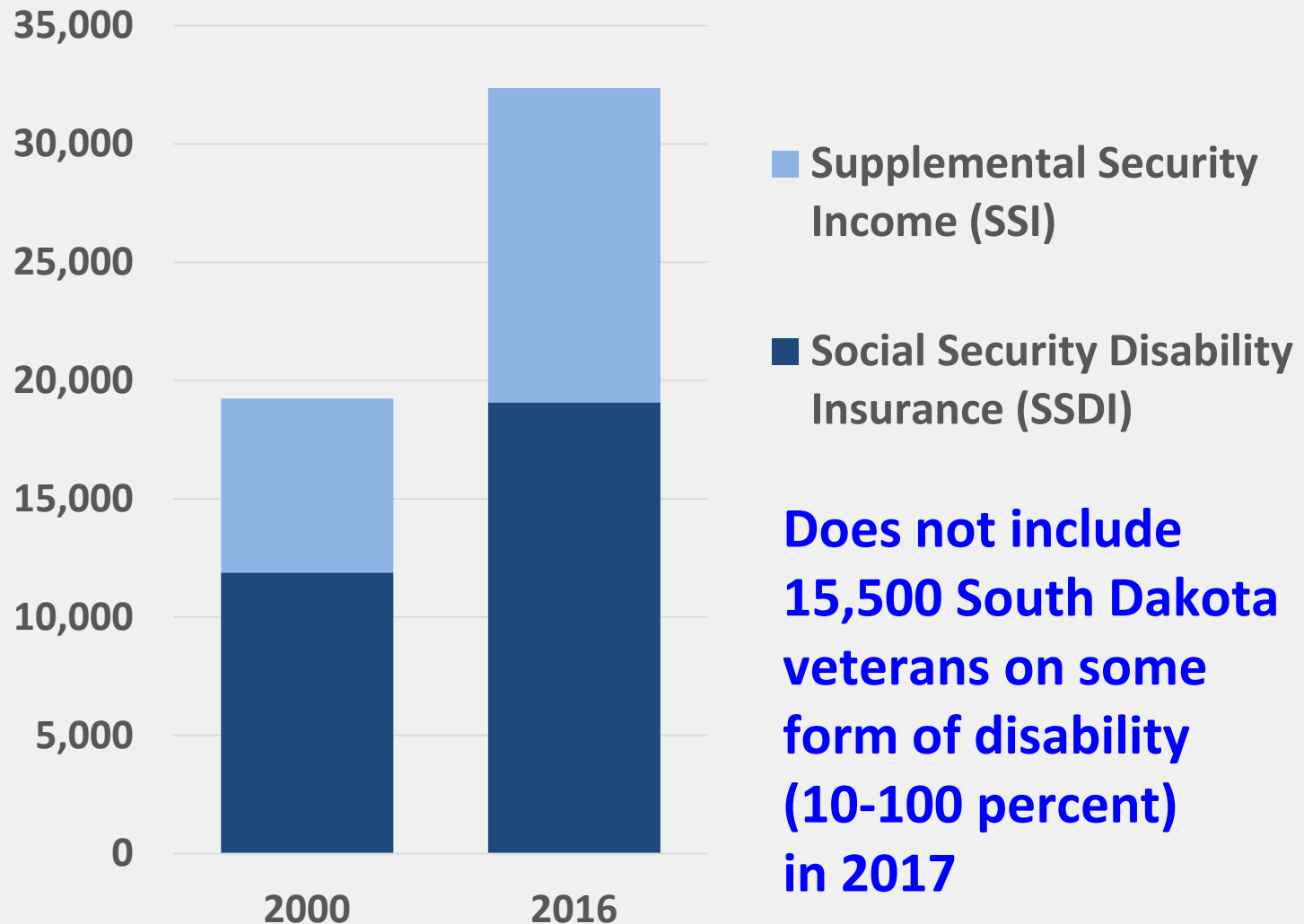
# Native American unemployment still terribly high



Source: Bureau of Labor Statistics



# SD working-age disability on rise







# **The future winners will be places that grow *in a labor-shortage environment***

## **Places that:**

- **Attract workers from elsewhere**
- **Find ways of bringing local, marginalized workers into the workforce**
- **Have jobs that offer sustainable, good-paying careers**
- **Understand that more than just jobs are necessary for people to work more**



# Thank you!

## *Questions?*

*(Spoiler: I cannot answer questions on interest rates and other monetary policy. Sorry!)*

**Twitter:** [@RonWirtz](#)

[@fedgazette](#)

[@MinneapolisFed](#)